

mothercare

A baby wearing a red Santa hat and a red jacket with white trim is crawling on a snowy surface. To the right of the baby is a large, white, three-dimensional letter 'M' that has a cutout of a family (a circle for a head and a shape for a body) inside it. The background is a dark night sky with white stars and several small, white, conical trees. The entire scene is covered in a layer of white snow.

**Interim Results
18th November, 2009**



Ben Gordon

Chief Executive



Performance highlights



- Group sales +7.9% to £387.3m
- Group network sales up 13.6% to £549.1m
- Group underlying profit before tax +11.1% to £10.0m
- International retail sales up 29.6%; International LFLs up 1.0%;
- UK retail sales up 2.7%; UK LFLs up 4.0%
- Total Direct sales up 15.0% to £58.0m
- Interim dividend +19.6% to 5.5 pence

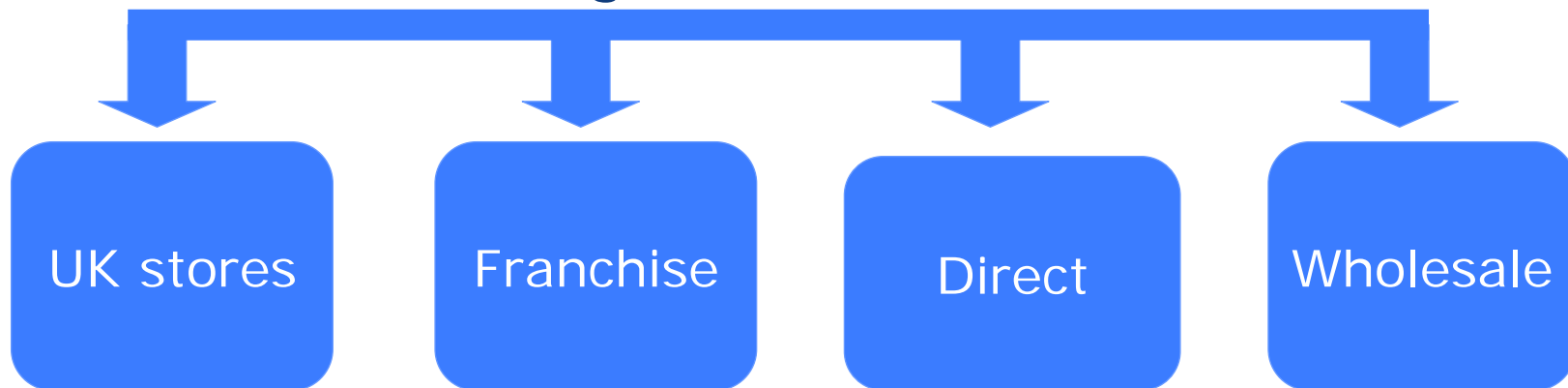
Mothercare group strategy



Two global brands



4 growth channels





Neil Harrington
Finance Director



Income statement



	09/10 £m	08/09 £m	
Revenue	387.3	359.0	7.9%
Underlying profit from operations	16.4	11.6	41.4%
Share based payments	(6.1)	(2.5)	
Financing	(0.3)	(0.1)	
Underlying profit before tax	10.0	9.0	11.1%
Exceptional items	(0.8)	(1.7)	
Other non-underlying items	(16.3)	5.9	
Profit before tax	(7.1)	13.2	

Note: 08/09 has been restated for the impact of IAS 38

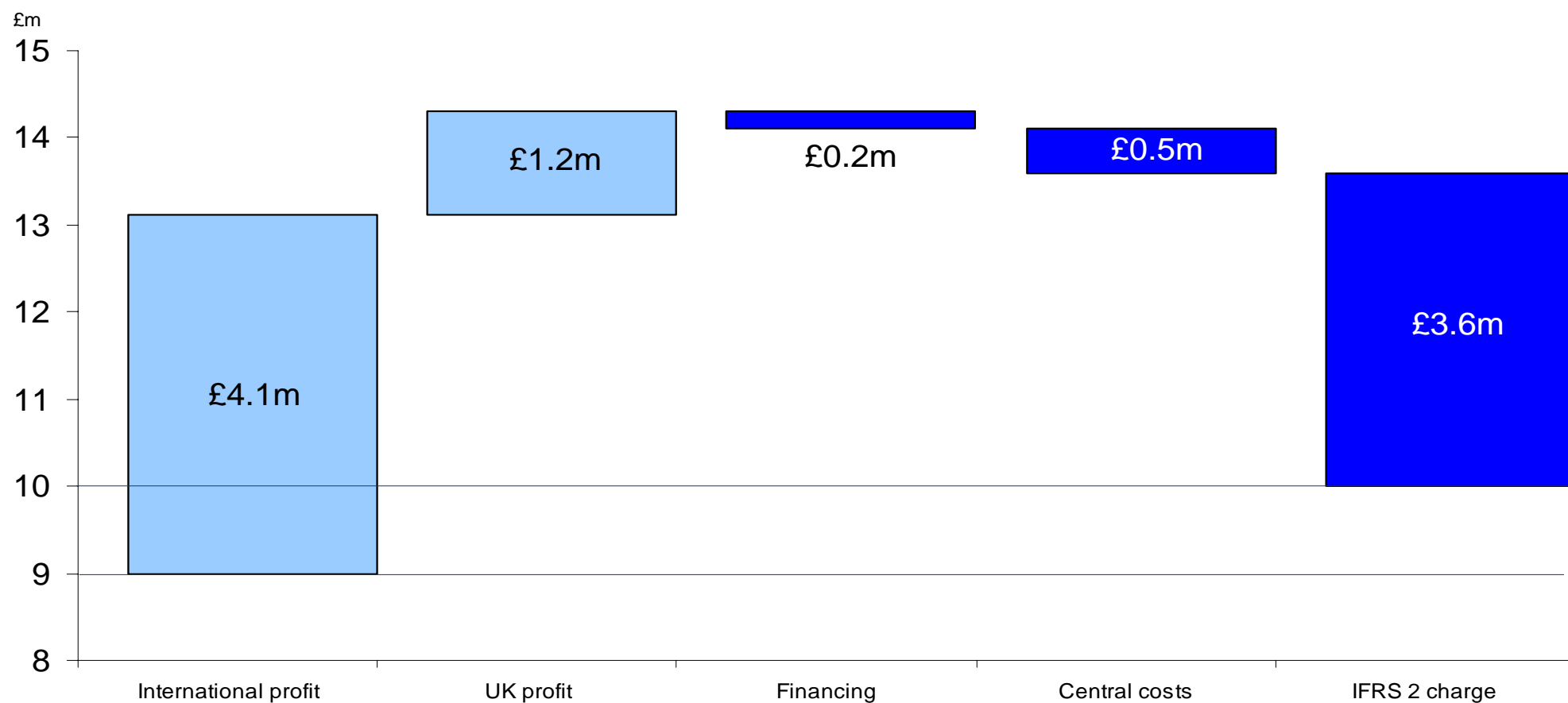
Underlying profit growth in UK and International



<u>Revenue</u>	09/10 £m	08/09 £m	
UK	296.3	288.5	2.7%
International retail sales	252.8	195.0	29.6%
'Network sales'	549.1	483.5	13.6%
<u>Underlying profit</u>	09/10 £m	08/09 £m	
UK	9.0	7.8	15.4%
International	11.8	7.7	53.2%
Corporate	(4.4)	(3.9)	(12.8)%
Share based payments	(6.1)	(2.5)	
Financing	(0.3)	(0.1)	
Total	10.0	9.0	11.1%

Note: 08/09 has been restated for the impact of IAS 38

£1.0m growth in group underlying profit

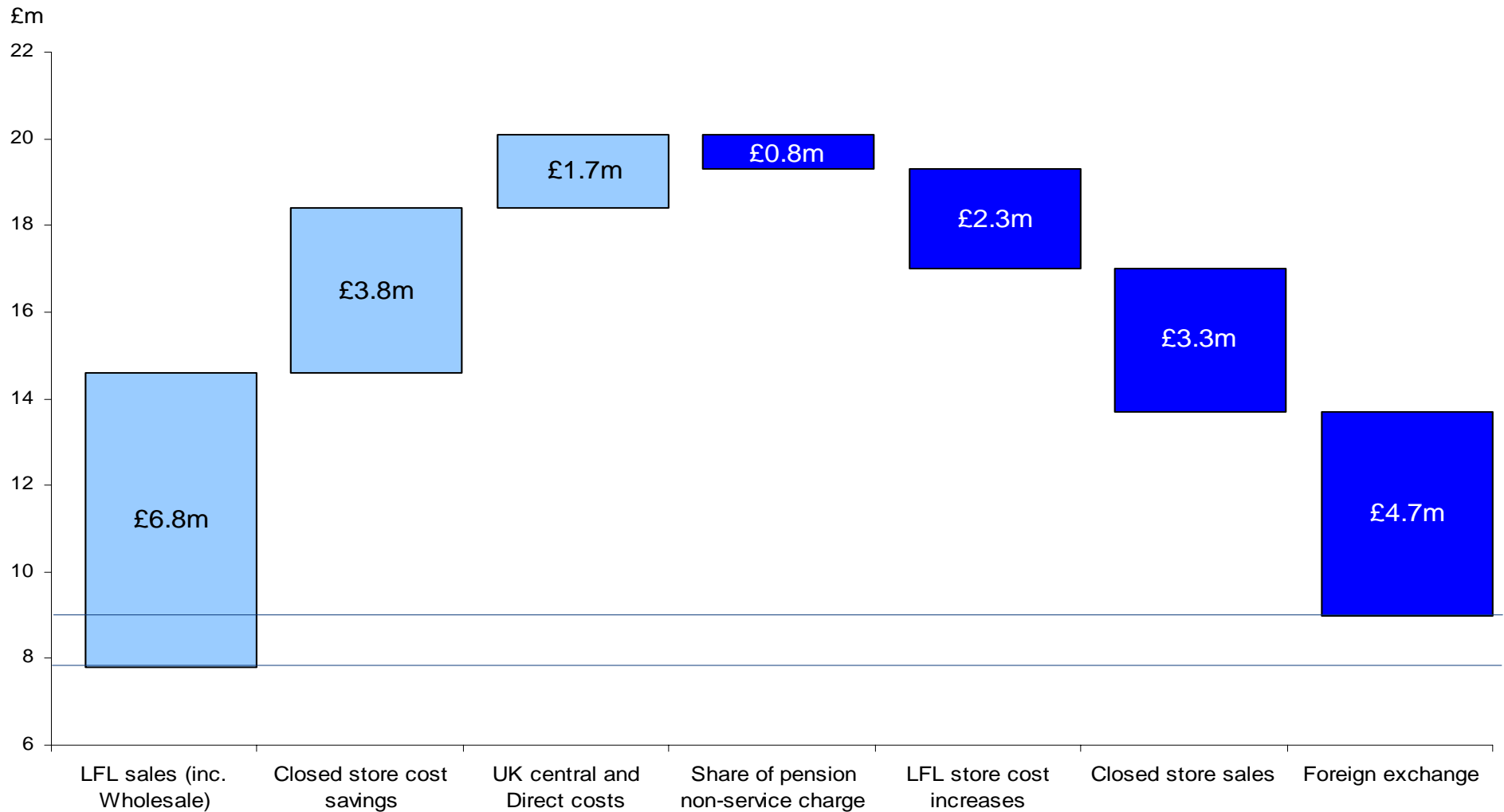


International



	09/10	08/09	
International retail sales	£252.8m	£195.0m	30%
International retail sales at constant currency	£258.2m	£218.3m	18%
Underlying profit from operations	£11.8m	£7.7m	53%
Retail space '000 sq. ft.	1,420	1,207	18%

UK profit from operations up £1.2 million



“Phase 1” property restructure – almost complete



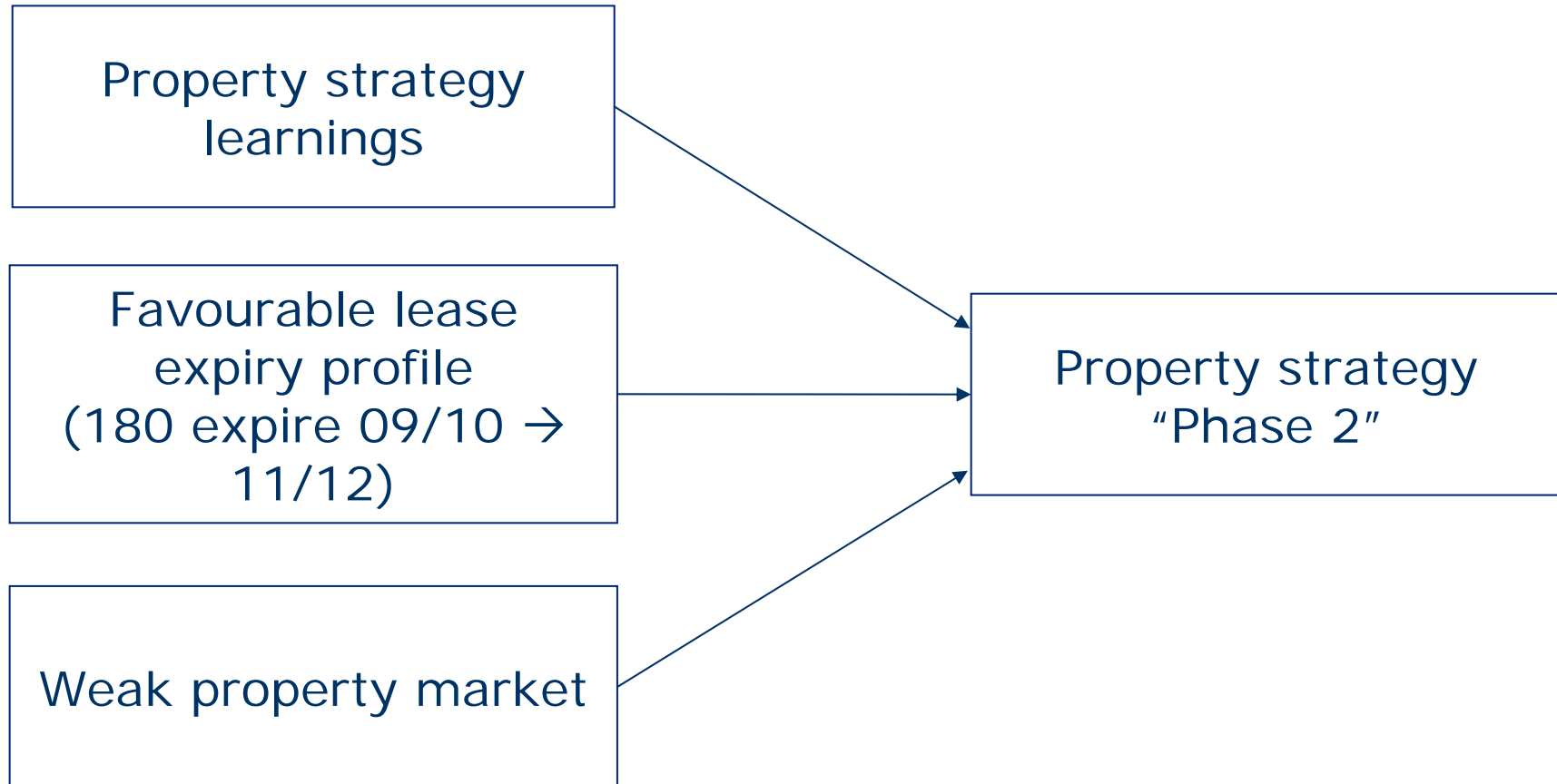
- “Phase 1” announced in May 2008; 145 stores affected; >90% completed
- H1 2007 to H1 2009:
 - Trading footage down 7%
 - SPF up 8% to £297
- £14.2m reduction in UK store costs (£10.4m in 2008/09; £3.8m in H1 2009/10)
- £5.0m of additional profit benefit; £2.4m delivered in 2008/09; £2.6m planned in 2009/10
- Completed with £5.0m less capex – strong returns

“Phase 1” property strategy – key learnings



- Rightsize and 2-into-1s successful
- High sales transfer from closed ELC stores to new inserts and web
- Out-of-town parenting centres with ELC inserts a real success:
 - 20% of store numbers
 - 45% of store sales
 - 65% of store profit

UK property strategy “Phase 2” – announced today



Property strategy “Phase 2”



120 stores affected (in addition to 145 in “Phase 1”):

1) Additional out-of-town parenting centres

- New catchments
- Accelerate in-town to out-of-town

2) Rationalise high street chain

- Lower profit in-town stores → closure/rent re-negotiation/2-into-1

3) In-town opportunities

- “Landmark” stores in key City centres

Out-of-town parenting centres



- Opportunity – 120 new parenting centres
- High capital contributions
- Favourable rentals/incentives
- 5- to 10-year leases; monthly rentals
- ROI > 75%; payback < 18 months

Rationalise high street chain



- 90 lower profit high street stores with expiry in next three years
- These 90 renegotiated or closed
- Average rent reductions YTD 40% achieved
- Substantial shift in-town to out-of-town

Property strategy benefits



£ million	Incremental benefit per annum	
2008/09 actual	2.4	"Phase 1" £5.0m announced May 2008
2009/10 estimate	2.6	
2010/11 estimate	5.0	
2011/12 estimate	5.0	
Annual benefit by 2011/12	£15.0m	

- Minimal new net capex (within current guidance)

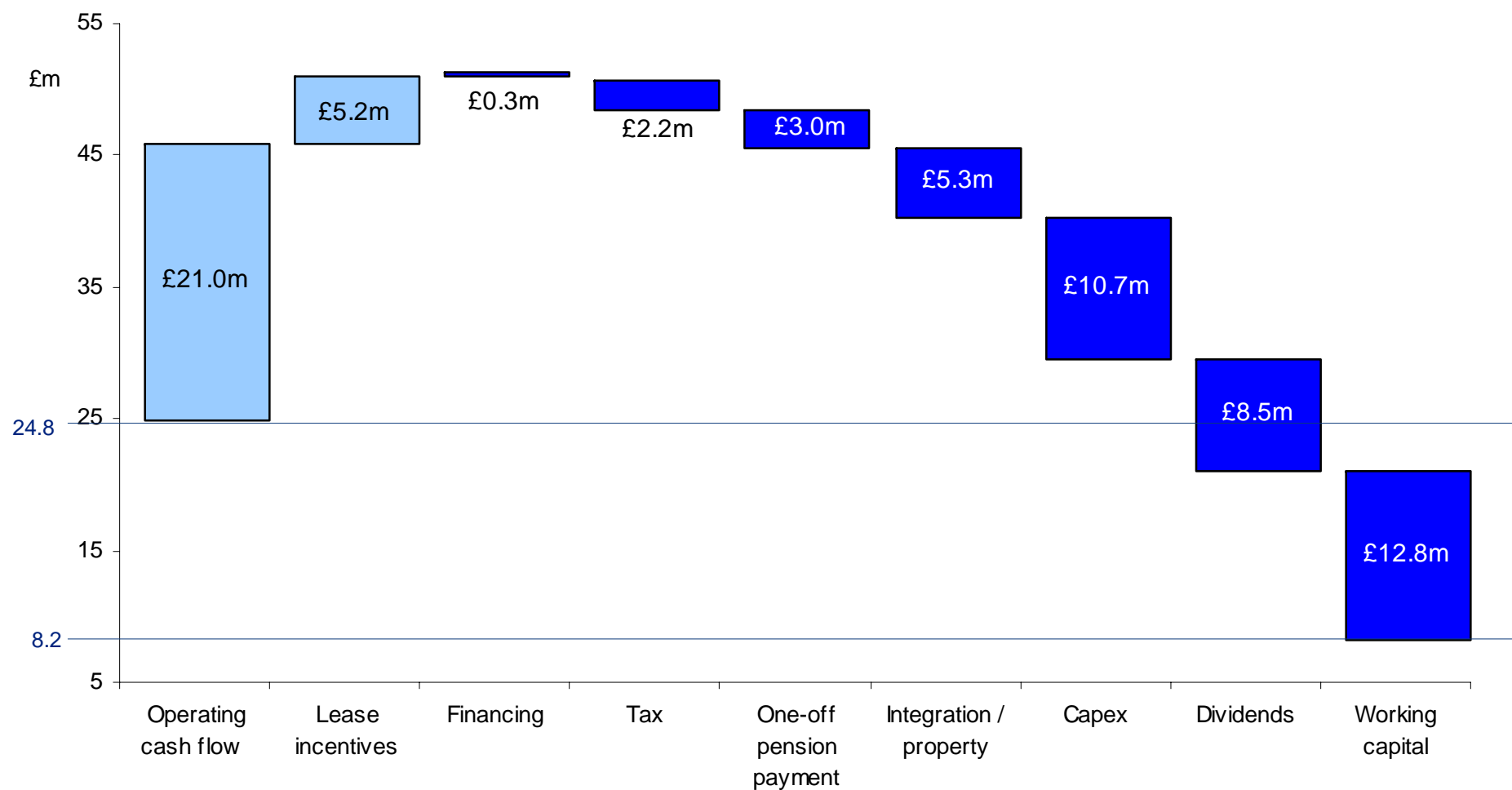
Group balance sheet



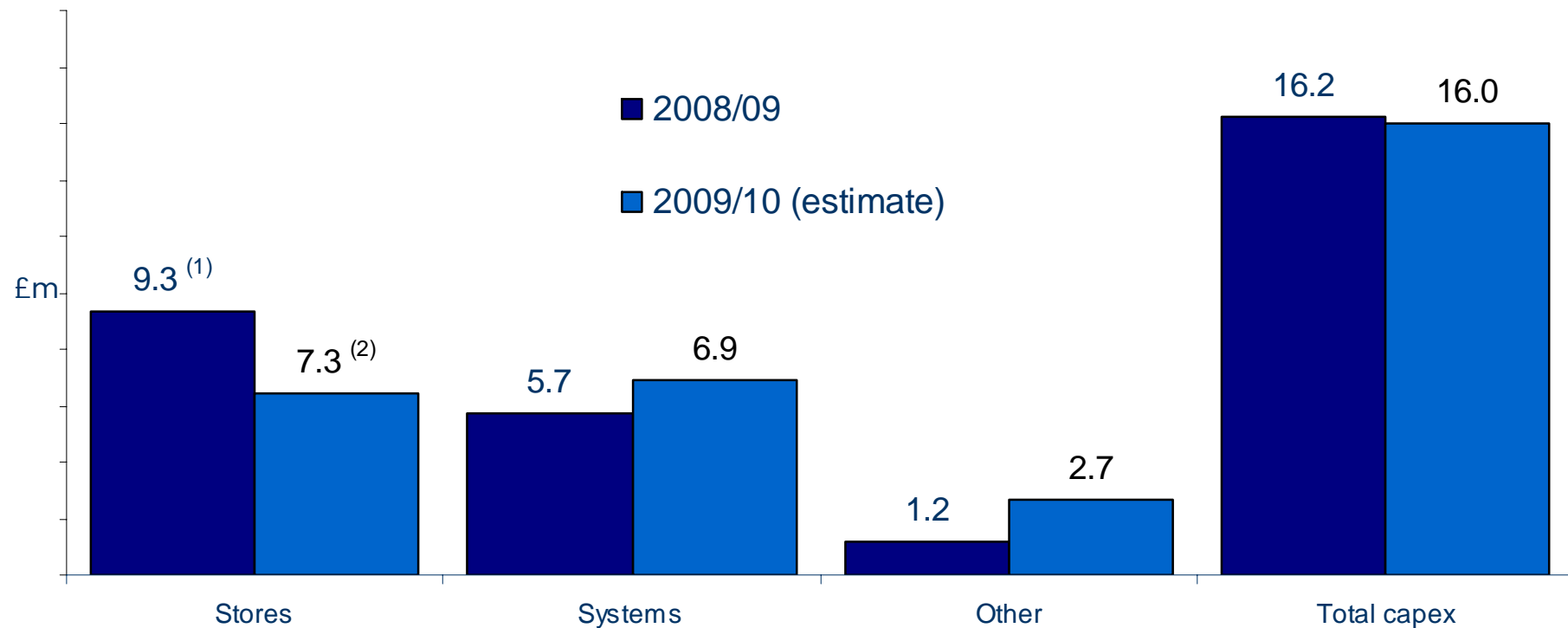
	H1 09/10 £m	H1 08/09 £m	FY 08/09 £m
<u>Non current assets</u>			
– Fixed assets	92.1	97.8	93.1
– Intangibles	104.0	104.4	104.5
<u>Net current assets</u>			
– Working capital	49.0	40.8	37.3
– Cash	8.2	8.4	24.8
– Other	(15.2)	(18.4)	(2.1)
<u>Non current liabilities</u>			
– Pensions	(44.5)	(5.5)	(25.4)
– Tax	9.2	(4.5)	(1.3)
– Other	(33.7)	(28.5)	(33.4)
<u>Net assets</u>	169.1	194.5	197.5

Note: 08/09 has been restated for the impact of IAS 38

Group cash flow



Group capex



(1) Net of landlords' contributions of £6.6m in 2008/09

(2) Net of forecast landlords' contributions of £10.4m for 2009/10

Guidance for full year 2009/10



- International and Direct continue strong growth
- At least 115 new overseas franchise stores
- Gross margin dilution estimated @ 100 bps
- Total pension charge £3.2m (+£2.3m YOY)
- Total share based payment charge estimate £12m (+£4.4m YOY)
- Continued tight cost control
- Property rates +£2.5m per annum 10/11
- Capex @ £16.0m
- Well placed for an important H2



Ben Gordon

Chief Executive



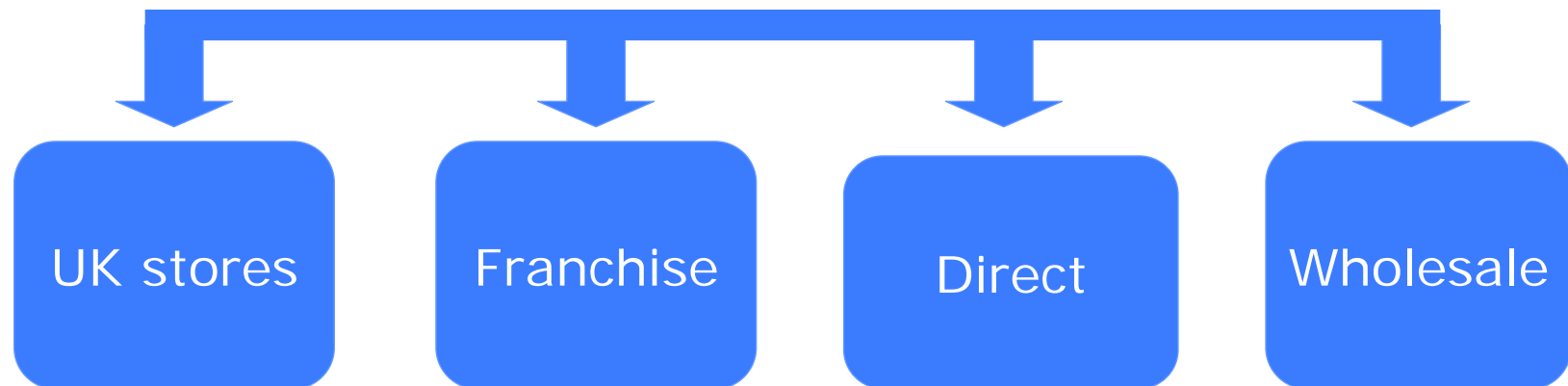
Mothercare group strategy



Two global brands



4 growth channels



Two world class brands



Spin – own brand innovation



pram mode



parent facing mode



spin
pushchair
£420

black/silver K0968

infant car seat
£79.99

black/silver K3691



forward facing mode



infant car seat
(sold separately)

mothercare Spin

forward to parent facing with one quick spin



200+ stores nationwide, online at [mothercare.com](https://www.mothercare.com), by phone 08453 30 40 30

M2B launch

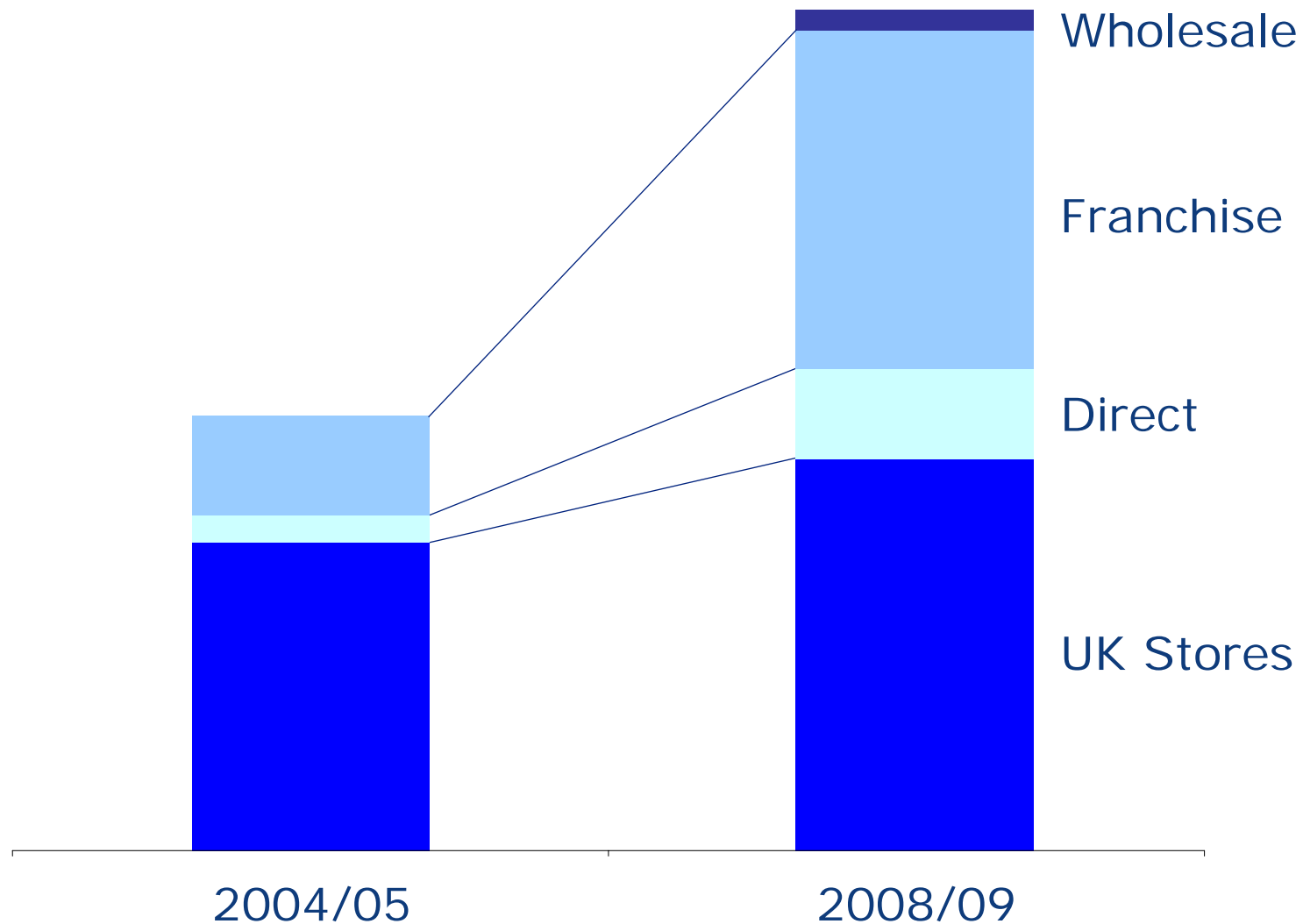


M
2b

Retro robot – ‘better’ price



Channel Growth



Total 'Network' Sales increased from £520m (04/05) to £983m (08/09)

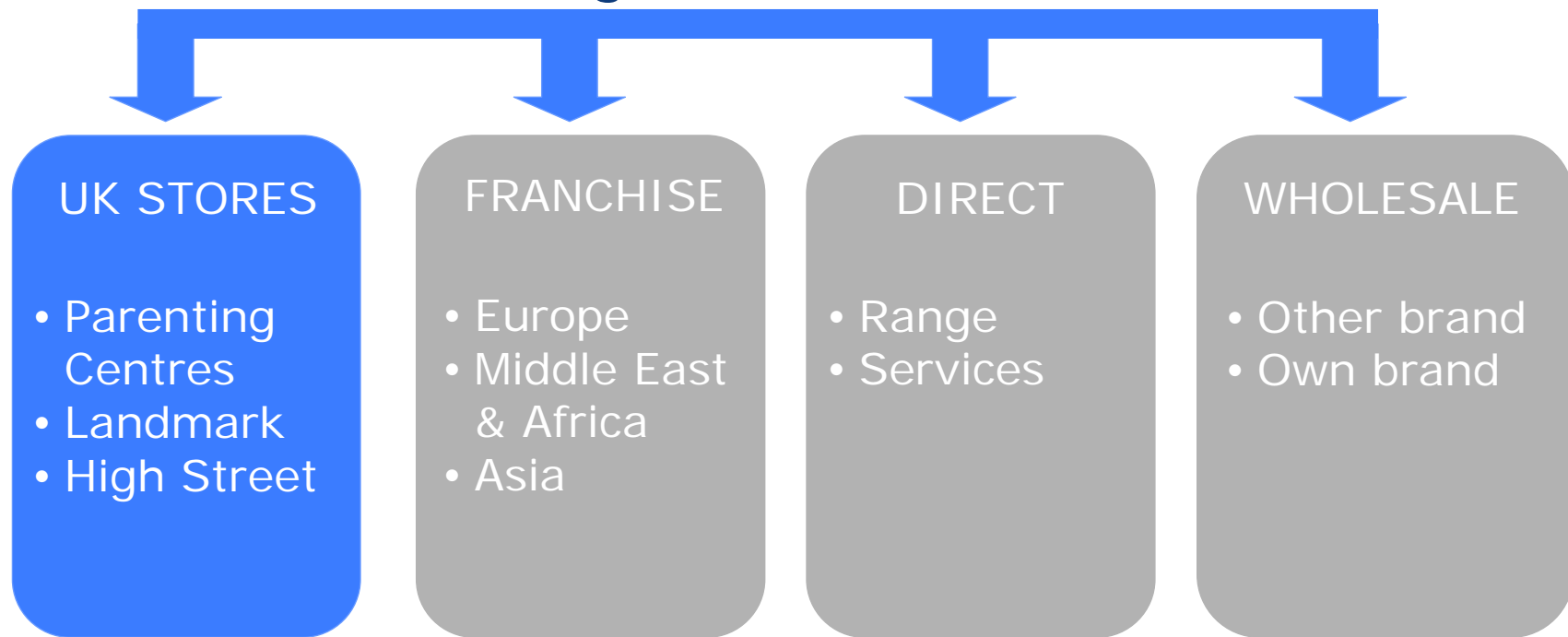
UK stores strategy



Two global brands



4 growth channels



Parenting Centres

UK Stores

- **Parenting Centres**
- Landmark stores
- High Street stores

Poole



- Destination stores – wide catchments
- Full range of Mothercare, ELC, concessions
- Most profitable UK format
- 82 today; plans to open 28 more in 3 yrs
- 120 parenting centres total opportunity

Landmark stores

UK Stores

- Parenting Centres
- **Landmark stores**
- High Street stores



- High profile, high footfall sites
- Zone A locations
- Landlords contributions
- New stores in Liverpool and Cardiff
- 4 stores to date; target 12 by 2012

High Street stores

UK Stores

- Parenting Centres
- Landmark stores
- **High Street stores**

- c. 60% of high street leases up for renewal in next three years
- Increased flexibility
- YTD renewals already reducing rents by 40%

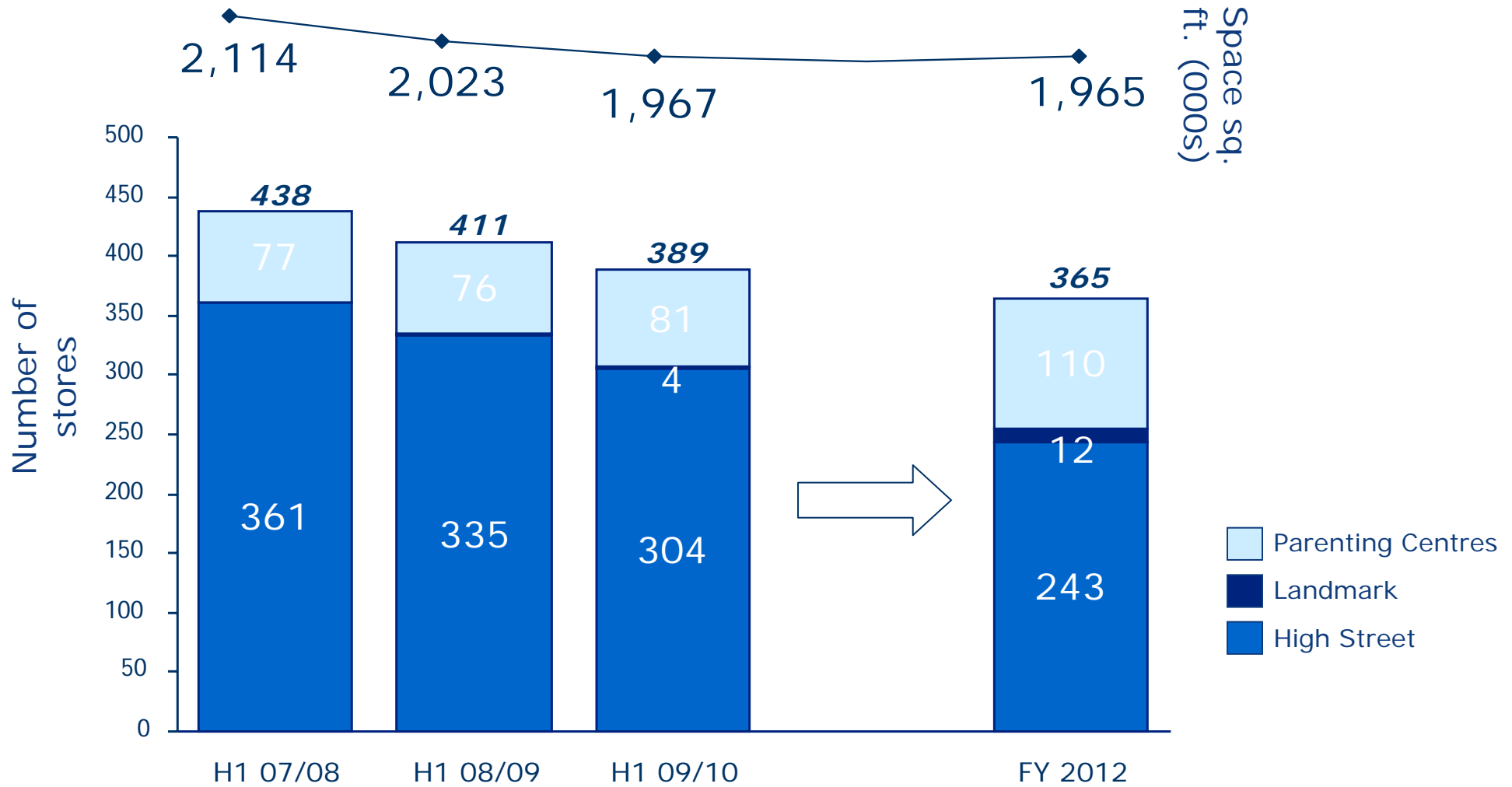


Brent Cross

Store portfolio by 2012

UK STORES

- Parenting Centres
- Landmark Stores
- High Street Stores



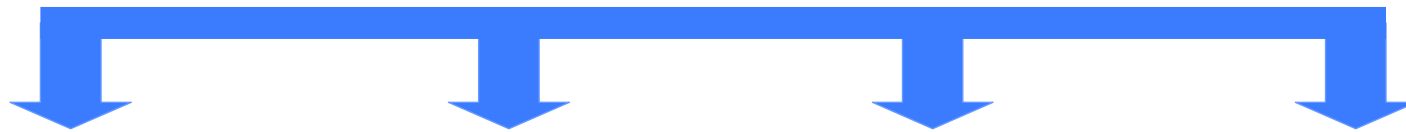
Franchise strategy



Two global brands



4 growth channels



UK STORES

- Parenting Centres
- Landmark
- High Street

FRANCHISE

- Europe
- Middle East & Africa
- Asia

DIRECT

- Range
- Services

WHOLESALE

- Other brand
- Own brand

International growth



- Opening larger format stores; greater product ranges
- New stores in existing countries
- Entering new countries



Chalika, Greece

Europe strong growth

FRANCHISE

- **Europe**
- Middle East & Africa
- Asia

mothercare

Lodz, Poland



- Europe – currently 312 stores in 27 countries

Middle East & Africa

FRANCHISE

- Europe
- **Middle East & Africa**
- Asia



Dubai Mall

- Middle East & Africa – currently 218 stores in 10 countries

Middle East & Africa

FRANCHISE

- Europe
- Middle East & Africa
- Asia



More stores in China

FRANCHISE

- Europe
- Middle East & Africa
- Asia



Huai Hui Road, China

- Asia – currently 164 stores in 13 countries

India new JV announced

FRANCHISE

- Europe
- Middle East & Africa
- Asia

- DLF, new JV partner
 - India's largest real estate company
 - Standalone stores in malls
- Shoppers' Stop
 - Shop-in-shops
- Mothercare 30% of JV
- Currently 24 stores; targeting 200



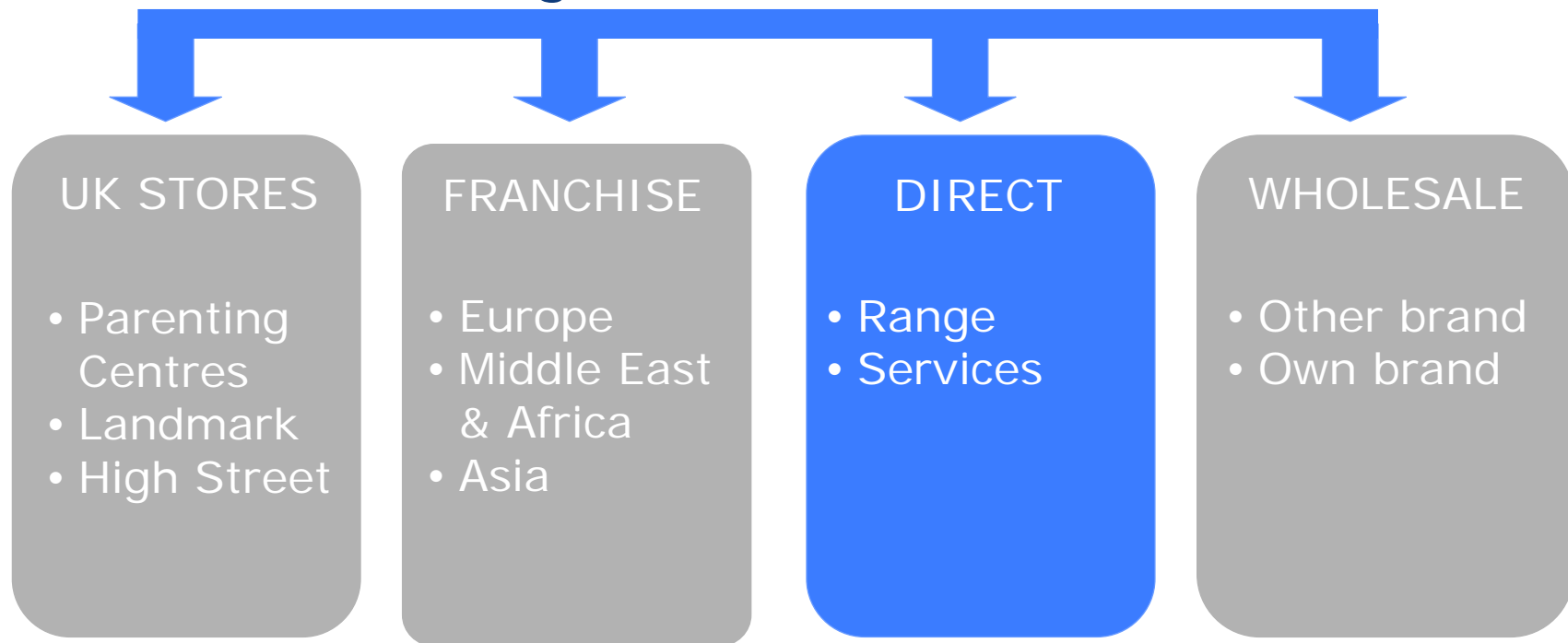
Mumbai, India

Mothercare Direct – strategy for growth

Two global brands



4 growth channels



More clothing online


DIRECT

- Range
- Services
- International

mothercare

[home](#) | [store finder](#) | [shopping](#)

welcome
[log in](#) | [register](#)

your basket  0 items £0.00 [checkout](#)

search in all departments

[maternity](#)

[pushchairs](#)

[nursery](#)

[car
seats](#)

[clothing](#)

[bathing](#)

[feeding](#)

[safety](#)

[kids
bedroom](#)

[mothercare](#) > [clothing](#) > [baby k](#) > newborn

clothing

read
myleene's
blog

[gurgle.com](#)



sign up to receive the
latest baby k news



Email Signup

Sign up to receive
special offers and
information

Enter email address



"The detail and design in this outfit make it not only extremely cute but also ideal for your little ones to feel cosy and comfy in."



"Calling all future popstars or aspiring baby musicians! Ideal for mini mozarts in the making!"



"Bibs don't have to be boring! babygro with detachable bib gorgeous and very practical will have your little one looking"

- Widest choice
- Over 400 pushchairs
- Over 350 car seats
- 85% of clothing online and growing

gurgle.com

DIRECT

- Range
- **Services**
- International

gurgle.com
Baby stuff made simple

Login or Register for your
personalised gurgle experience

Search for

in

Articles



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Home ► VIDEOS

Pregnancy And Parenting Videos



Games to play with an older baby

Play is a key part to your child's development. It encourages your child's natural creativity and imagination. It is not enough to put your child in front of the TV for entertainment. They need you on the floor playing and interacting with them.



Co-sleeping



Games to play with an older baby



Soothing a crying baby



Crawling: how to help your baby

Stages

- Toddler
- Baby
- Birth & Labor
- Pregnancy
- Trying for a baby
- ★ Baby Photos

Categories

- | | |
|----------------------|-----------------|
| Another Baby | Feeding & Food |
| Antenatal Care | Fertility |
| Baby Health | Home & Safety |
| Baby Names | Lifestyle |
| Behaviour | Mum Health |
| Calendars | Relationships |
| Caring for your Baby | Sleep & Bedtime |
| Crying | Tests & Checks |
| Early Pregnancy | Travel |
| Education | Work |
| Expert Advice | Win |

Specials & Competitions

babynamer



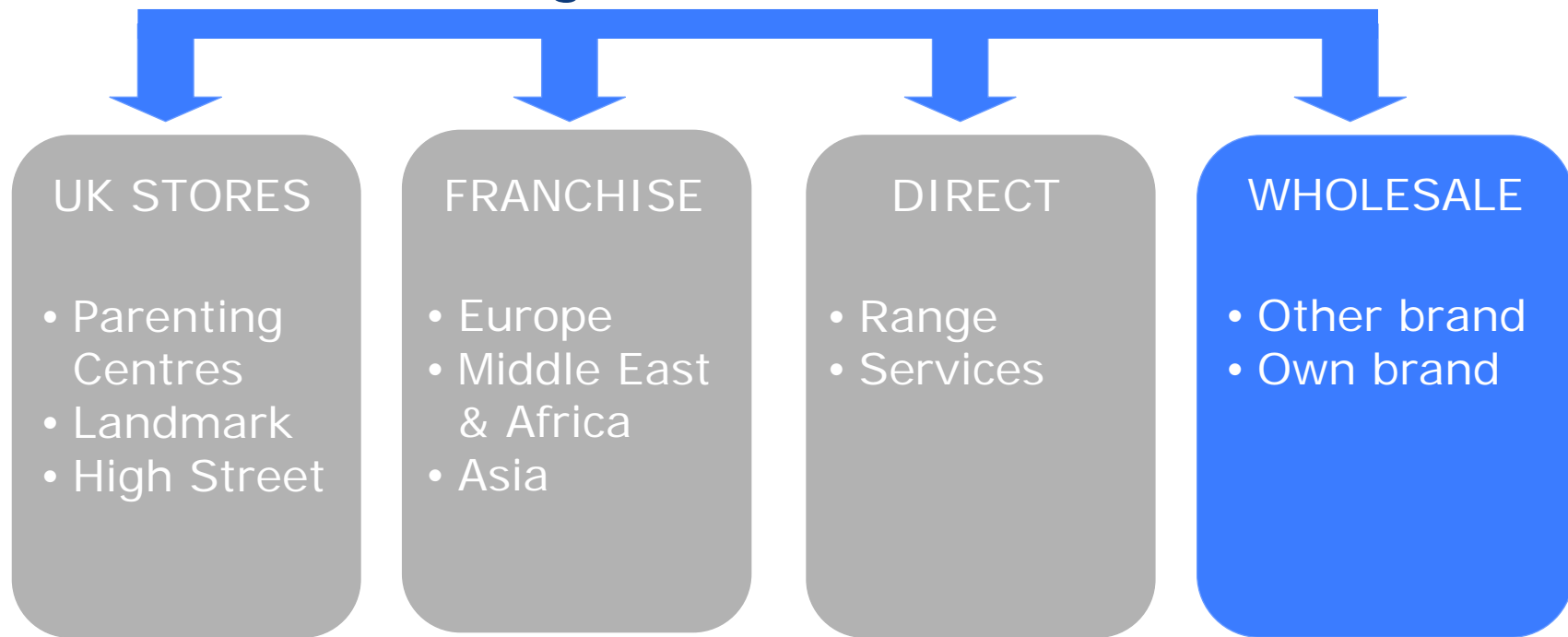
Wholesale strategy



Two global brands



4 growth channels



UK & International wholesale

- WHOLESALE
- Other brand
 - Own brand

DEBENHAMS



the little³
toy company



Weltbild.de

Play 2 learn®

 **TARGET.**



New toiletries range

WHOLESALE

- Other brand
- Own brand



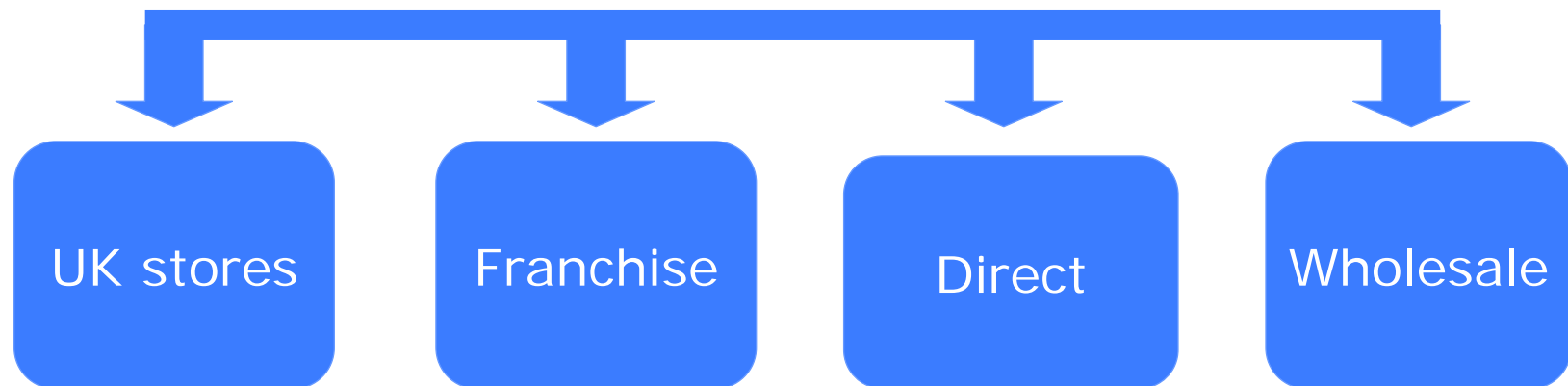
Summary and Outlook



Two global brands



4 growth channels



Q&A



Key store data as of October 2009



	October 2007	March 2008	October 2008	March 2009	October 2009
<u>Total UK Stores</u>					
Total stores	438	425	411	405	389
High street	361	348	335	326	308
Out of town	77	77	76	79	81
Selling area (000s sq. ft.)	2,114	2,070	2,023	2,007	1,967
Sales* per sq. ft.	275	284	288	288	297
* Rolling 12 months UK Sales inc Direct ex VAT					
<u>International Stores</u>					
Europe	183	199	238	262	301
Middle East and Africa	152	165	188	198	213
Asia	127	130	146	149	157
Total stores	462	494	572	609	671
Selling area (000s sq. ft.)	828	1,040	1,207	1,294	1,420

